
**COMMISSION MEETING
THURSDAY, JULY 12, 2001
MINUTES**

Chair Orr called the meeting to order at 1:30 p.m., at the DoubleTree Hotel in Yakima Valley. **Chair Orr** introduced the following attendees:

MEMBERS PRESENT:

**COMMISSIONER GEORGE ORR, CHAIR;
COMMISSIONER CURTIS LUDWIG;
COMMISSIONER LIZ McLAUGHLIN
COMMISSIONER MARSHALL FORREST;
COMMISSIONER ALAN PARKER;
SENATOR MARGARITA PRENTICE;
SENATOR SHIRLEY WINSLEY;
REPRESENTATIVE JIM CLEMENTS**

OTHERS PRESENT:

**BEN BISHOP, Director;
ED FLEISHER, Deputy Director, Policy & Government Affairs;
ROBERT BERG, Deputy Director, Operations;
CALLY CASS-HEALY, Assistant Director, Field Operations;
DERRY FRIES, Assistant Director, Licensing Operations;
AMY PATJENS, Manager, Communications & Legal Dept.;
JERRY ACKERMAN, Assistant Attorney General;
SHIRLEY CORBETT, Executive Assistant**

Chair Orr began the meeting by asking for a point of personal privilege and pausing to reflect on the loss of the lives of four firefighters at recent wildland fires. He reminded the audience to keep life in perspective as they deliberate over win-lose issues.

1. REVIEW OF AGENDA:

Amy Patjens, Manager, Communications & Legal Department, noted there were no changes to Thursday's agenda. A staff legislative report will be presented by Ed Fleisher on Friday, providing information about legislation the agency would like to see proposed during the next session. Bob Berg will provide a staff report on administrative citations, which is another tool for field agents on limited types of violations. Two rules are up for final action, relating to the electronic facsimiles of cards rules. She noted that additional letters were received regarding this rule after the printing of the packet. The Phase II Review Rule is also up for final action and there are two rules up for discussion. Staff will ask that the Card Room Promotions Rule be held over for discussion for another month. Staff is looking at the whole issue of promotions, particularly when an opportunity to gamble is the prize that is being given away. The Petition for Rule Change to decrease license fees for limited fund raising events will be heard last; there are two similar petitions that have been merged together.

2. NEW LICENSES, CHANGES, AND TRIBAL CERTIFICATIONS:

Commissioner Forrest made a motion seconded by **Commissioner McLaughlin** to approve the new licenses, changes and tribal certifications listed on pages 1 through 25 of the agenda packet under License Approvals. *Vote taken; the motion carried with five aye votes.*

3. MANUFACTURER REVIEW:

TamRuta Gaming Enterprises, Inc., Seattle:

Monty Harmon, Program Manager, Financial Investigations Unit, reported this organization is located in Seattle. Steve

Tamura and Ron Furuta formed the start-up company. If licensed as a manufacturer, the company intends to distribute their game scheme in the commercial card rooms and tribal casinos. TamRuta Gaming, Inc. was incorporated in the state of Washington in January 2001. On April 23rd, the corporation applied for a Class B manufacturer's license to sell a new card game scheme called Asian Stud. At the time they submitted their application, they also applied for a Class B distributor's license and staff recently approved that license. TamRuta Gaming has no gaming licenses, permits or certifications in any other jurisdictions. However, Steve Tamura and Ron Furuta are both licensed card room employees and currently are employed at the Drift-On-In located in Shoreline. Their licenses are in good standing with the Commission. On May 6, 2001, agents conducted a financial and criminal background review and reviewed the game for its qualifications in the tribal and card room areas. There were no problems indicated during their reviews. Investigative procedures were performed to verify stock ownership and it was determined that the company was not engaged in sales activities that were not allowed in Washington State. In addition, the Articles of Incorporation, Bylaws, financial statements, and other information submitted by the applicant were reviewed. Criminal and personal history background checks were also conducted. No disqualifying information was noted. Based on the review performed, there is no indication of a hidden ownership or unlicensed patent holders or the intent to manufacture their gaming equipment through unlicensed entities. A limited review of their source of funds was completed and there were no problems. Based on the results of the investigation, staff recommends licensure of TamRuta Gaming Enterprises, Inc. to manufacture and distribute gambling equipment.

Steve Tamura, President and stockholder for TamRuta, was introduced and he provided a brief profile of his professional experience. **Commissioner Ludwig** asked if Asian Stud had received approval from the director. Mr. Tamura affirmed.

Commissioner Ludwig made a motion seconded by Commissioner Forrest to approve licensure for TamRuta Gaming Enterprises, Inc. to manufacture and distribute gambling equipment. Vote taken; motion passed with five aye votes.

4. GROUP IV QUALIFICATION REVIEWS:

Columbia Basin Domestic Violence Services, Kennewick:

Monty Harmon, Program Manager, Financial Investigations Unit, reported this organization was formed in 1976. Its mission is to provide advocacy and support services and shelter for victims of domestic violence. Licensed since 1975, they have 15 active members who also serve as board members. The Columbia Basin Domestic Violence Services provided numerous program services to their clients who consist primarily of women. In the year 2000, more than 2,900 women and children were assisted and thousands more received community consultation and education via public information sessions and the use of the media. Their shelter provided over 4,400 overnight stays to victims. The organization provided emergency shelter, food, clothing, counseling, medicine and shelter. Anger management and perpetrator treatment programs were provided on a fee-for-service basis for the organization. For fiscal year ended December 31, 2000, the organization met its required combined net return percentage of 10 percent for its Class I Bingo operations by achieving a 15.7 for net return. The organization also met its program service requirements. There were excessive reserves as a result of the sale of their Bingo Palace building at the end of the year. That facility is now being rented by the organization while they secure a new location. They plan are to purchase a replacement building that will more cost effectively house the organization and the Bingo facility. At present, there are pending administrative actions against the organization; however, staff recommends that Columbia Basin Domestic Violence Services be approved as a charitable organization and be authorized to conduct gambling activities in the state of Washington. **Thomas Morgan**, General Manager, was introduced.

Commissioner Ludwig inquired about the pending administrative actions. **Mr. Harmon** responded this organization was up for their 1999 review and the pending action related to timely submitting information for the last qualification review performed. **Robert Berg**, Deputy Director, pointed out that the nature of the violations did not go to the issue of being qualified.

Commissioner McLaughlin commented that the Bingo net income went up considerably and asked if that was because of the sale of the building. **Mr. Harmon** affirmed it was approximately a \$300,000 gain. **Commissioner McLaughlin** observed that it seemed they were not taking it all out in one year and asked if that was due to a change in management or the sale of the building. **Mr. Morgan** affirmed it was due to both factors. He noted that his organization has purchased another building located in Clearwater, which they are in the process of remodeling. It is in a higher profile

location, has better parking, and is a bigger building with 30,000 square feet. Mr. Harmon referred to Commissioner McLaughlin's question regarding the "other than gambling revenues" where the sale of the building is reflected. He clarified that it shows a \$300,000 increase on the first line, but the increase of \$100,000 may be related to an allocation that they make this year in order to stay in compliance. The agency allows licensees to donate the use of their building to other organizations, and they had a \$70,000 expense reduction that would have impacted their income.

Commissioner Ludwig made a motion seconded by **Commissioner McLaughlin** to approve Columbia Basin Domestic Violence Services as a charitable organization and that they be authorized to conduct gambling activities in the state of Washington. **Chair Orr** called for further questions and there were none. *Vote taken; motion passed unanimously.*

Sister Rebecca Berghoff Foundation, Union Gap:

Monty Harmon, Program Manager, reported this organization was formed in 1990. Their mission is to provide operating funds for St. Joseph's Elementary and Marquette Middle Schools. Licensed since 1990, they have 17 active members who also serve as the board members. For the year ended December 31, 2000, Sister Rebecca Berghoff Foundation donated \$420,000 in cash directly to St. Joseph/Marquette Schools. The organization met its fiscal year required combined net return of 14 percent by achieving a 14.43 net return. The program service requirement was met and they did not have excessive reserves at the end of the year. At present there are no pending administrative charges against the organization and staff recommends that the Sister Rebecca Berghoff Foundation be approved as a charitable organization and be authorized to conduct gambling activities in the state of Washington.

Jay Hurst, Assistant Manager, and **Jennifer Walsh**, Bookkeeper were introduced. **Commissioner McLaughlin** pointed out that they went down approximately \$60,000 in Bingo net income and asked if they would be able to recover. **Ms. Walsh** affirmed there is a lot of competition for the gambling dollar and noted that all the gambling halls have lost income since the casinos opened. She reported that her organization just tries to stay steady and keep their goal of supporting the school. Commissioner McLaughlin asked if it still pays for them to play Bingo and Ms. Walsh affirmed. There were no further comments from the public.

Commissioner Ludwig made a motion seconded by **Commissioner Forrest** to approve the Sister Rebecca Berghoff Foundation, located in Union Gap, as a charitable organization and that they be authorized to conduct gambling activities in the state of Washington. *Vote taken; motion passed with five aye votes.*

Mid Columbia Coalition for Children, Pasco

Monty Harmon, Program Manager, Financial Investigations Unit, reported this organization was formerly the Educational Institute for Rural Families. They were formed in 1974 and their mission is to enhance the education and environment of children and their families by providing quality services through childcare and early childhood education. They have been licensed since 1976 and the organization has 652 active members. There are six board members who conducted 11 meetings during the last fiscal year. For the year ended December 31, 2000, the Mid Columbia Coalition for Children provided services to low income families employed in agriculture-related work. They provided childcare to children ages one month to 10 years old, a pre-school program, and nutrition programs where breakfast, lunch and snacks were provided to each child. They provided a health program where well child screening was provided free of charge, they have roundtrip transportation bus service for children, and a parent involvement program to educate the parents. The organization met its required combined net return percentage of 10 percent by achieving a 19.5 net return, and met its program service requirements with no excessive reserves. At present there are no administrative charges against the organization. Based on the review, staff recommends Mid Columbia Coalition for Children, located in Pasco, be approved as a charitable organization and be authorized to conduct gambling activities in the state of Washington.

Jim Colvin, was introduced. **Commissioner Ludwig** commented about their operation's success, noting that their organization's non-gambling revenue was decreased while the Bingo net income increased over \$100,000 since last year. **Commissioner Ludwig** asked how they were able to do so well when statewide other organizations are having so many problems. **Mr. Colvin** responded that like every other Bingo operation in the state, they have been hit by a number of factors over the last five to seven years. However, the Bingo players have decided that they're going to play Bingo and other people gambling are going to do other types of gambling. Mr. Colvin also noted this organization has been doing

this for quite a few years and they have a very experienced staff who pay attention to the details and do a good job for their customers. He advised they run as lean as possible in order to provide money for their services.

Commissioner Ludwig made a motion seconded by **Commissioner McLaughlin** to approve Mid Columbia Coalition for Children, located in Pasco as a charitable organization and that they be authorized to conduct gambling activities in the state of Washington. *Vote taken; motion passed with five aye votes.*

5. HOUSE-BANKED CARD ROOMS:

SeaTac Casino LLC, d/b/a Hawks Prairie Casino, Lacey:

Artis Collins, Program Manager, Licensing, reported this organization is applying for a license to operate up to 15 tables of house-banked card games. The organization was formed in Washington in July of 1998. Chuck McSwain, Managing Member, and members Donna Fors and Tryna Norberg each have 33-1/3 percent of the membership shares in the LLC. At the time of this report, they had no other licenses with the Commission. Special agents conducted a criminal and personal history background investigation of all substantial interest holders. They initiated and completed a financial investigation on both the company and individual members' finances, which included their spouses. No disqualifying information was found. On June 22, 2001 special agents conducted an on-site, pre-operational review and evaluation in accordance with the rules of the Commission. The applicant was found to be in compliance. Based on the results of the licensing investigation and the pre-operational review and evaluation, staff recommends that SeaTac Casino LLC, doing business as Hawks Prairie Casino be licensed as a house-banked public card room authorized to operate up to 15 tables with a maximum betting limit of \$25.

Chuck McSwain, Manager, and **Chris Butrane** were introduced. **Commissioner Ludwig** wanted to know when they planned to open. **Mr. Butrane** replied that he hoped to open this afternoon. **Mr. McSwain** noted this is the only casino built from the ground up and they were very proud of it because it is a beautiful place. Through the building process, they worked closely with the city of Lacey's permitting process and they worked closely with the state's Job Service. He announced that his facility has a lot of Work First Program employees working in their establishment. **Mr. McSwain** expressed appreciation for the assistance they received from the Commission's financial and field operations staff and thanked the staff for their hard work. **Senator Prentice** asked where they were located and was told the facility was at Exit 111 next door to Hawks Prairie Inn.

Commissioner Forrest made a motion seconded by **Commissioner Ludwig** to approve SeaTac Casino LLC, doing business as Hawks Prairie Casino located in Lacey, to operate a house-banked enhanced card room with a maximum \$25 betting limit. *Vote taken; motion passed with five aye votes.*

Riverfront Lanes Restaurant & Lounge, South Bend:

Artis Collins, Program Manager, Licensing, reported that Country Bowl Restaurant doing business as Riverfront Lanes Restaurant & Lounge applied for a license to operate up to four tables in house-banked card games at Riverfront Lanes in South Bend. This organization is a privately held corporation formed in July of 1983, and they are authorized for \$5,500 shares of stock of which 100 percent has been issued. **Mr. Collins** identified the shareholders and noted that at the time of this report, they held no other licenses with the Commission. Special agents conducted a criminal and personal background investigation of all substantial interest holders. They initiated and completed a financial investigation on the corporation and individual stockholders including their respective spouses. No disqualifying information was found. On June 6, 2001, special agents conducted an on-site pre-operational review and evaluation in accordance with the rules of the Commission. The applicant was found to be in compliance. Based on the results of the licensing investigation, staff recommends that the Riverfront Lanes Restaurant & Lounge be approved to operate a house-banked enhanced card room with a maximum \$25 betting limit and operate four tables.

Leonard Walker, President and CEO, introduced himself, his wife **Cindy Walker**, and **John Hartman**, Manager of Gaming Operations. **Commissioner McLaughlin** asked how they decided on four tables. **Mr. Walker** replied that they moved to a smaller business to reduce the stress in their lives. They gradually improved their building which was a Studebaker car dealership that was converted in 1958 to a bowling center, restaurant and lounge. They decided on two Blackjack tables to further the community benefits. The city businesses and the board of churches decided they wanted to assist Riverfront Lanes because of its emphasis on concern for children, young adults and seniors. **Commissioner**

Ludwig asked when they would start playing house-banked Blackjack. **Mr. Walker** said they are ready to go as soon as they are approved.

Commissioner Ludwig made a motion seconded by **Commissioner McLaughlin** to approve Riverfront Lanes Restaurant & Lounge located in South Bend, to operate a house-banked enhanced card room with a maximum \$25 betting limit. *Vote taken; motion passed with five aye votes.*

6. Phase II Review:

Papa's Casino, Restaurant & Lounge, Moses Lake:

Larry Boyd, Supervisory Agent in the Spokane Office reported that Papa's Casino, Restaurant & Lounge is a commercial restaurant, lounge, bowling center and card room located in Moses Lake. The organization is owned by Lake Bowl LLC and is a family owned and operated family business. He provided the shareholders information and noted the owners have no interest in other card rooms. Papa's Casino was formerly named El Papagayo's and began conducting house-banked gambling activity on August 15, 1998 with five tables. They are currently operating eight house-banked tables consisting of three Spanish 21, one Let It Ride, and four Blackjack tables. Staff conducted an extensive investigation including a review and observation of key operating departments. The review team compared actual operating procedures to those documented in the card room rules. The licensee's written internal controls were also compared to the card room rules to ensure compliance and consistency. The review of operating procedures was conducted for all five operating departments. Organizational records were also reviewed to ensure record keeping consistency and that no hidden ownerships or third party financing existed. The City of Moses Lake was contacted to ensure that the licensee is current with all gambling taxes, and Moses Lake Police Department was contacted to ensure that there's been no adverse impact on the community due to the card room's presence. All violations noted during the Phase II review were verified as having been corrected on a follow-up investigation. Based on the review, staff recommends that Papa's Casino, Restaurant & Lounge be approved to operate at Phase II wagering limits. They received approval for higher wagering limits for three tables on July 5, 2001. **Bruce Russell**, General Manager, was introduced.

Commissioner Ludwig asked when Mr. Russell took over the casino. **Mr. Russell** replied that there never was a former owner; they simply changed the menu and the name. The facility was built in 1957, and he has owned it since that time. Commissioner Ludwig asked how long they had a house-banked card room license. Mr. Russell informed him since August 1998. Commissioner Ludwig remembered from a previous meeting that they did not want to go to a higher limit. Mr. Russell affirmed that they were comfortable at the \$25 limit, then they heard there might be some competition coming and decided to take the next step. **Senator Winsley** was curious about all the Russell names. **Mr. Russell** explained he has four brothers and sisters, his mother and other family members involved in this venture.

Commissioner McLaughlin made a motion seconded by **Commissioner Forrest** to approve Papa's Casino, Restaurant & Lounge located in Moses Lake to operate at Phase II wagering limits. *Vote taken; motion passed with five aye votes.*

7. Kalispel Tribe of Indians – Phase II Review:

Northern Quest Casino:

Robert Zaher, Special Agent with TGU, reported that the Kalispel Indian Tribe is a federally-recognized tribe of approximately 340 enrolled members. Their reservation is located in Usk, Washington. On October 22, 1998, Governor Locke and Tribal Chairman Glen Nenema signed the Tribal State Compact for Class III gaming between the Tribe and the state of Washington. The Kalispel Tribe's Northern Quest Casino opened for business on December 29, 2000, on tribally owned land in Airway Heights. Currently, the staff at Northern Quest Casino includes a total of 511 employees. Of these, 21 are enrolled members of the Kalispel Tribe. An additional 123 employees are Native American or of Native American descent with tribal affiliations other than Kalispel. The Tribal State Compact allows for two levels of operation for Class III gaming—Phase I and Phase II. Phase I allows 112 hours of operation per week on an annualized basis with 31 tables of gaming with an option of an additional table for charity purposes and \$250 maximum wagering limits. Phase II, if approved, would allow the Tribe to operate up to 140 hours per week on an annualized basis and allow up to 50 tables of gaming with two additional optional tables for charity and a \$500 maximum wagering limits. The Phase I limits are in effect for the first six months of operation. After six months of operation, and contingent upon the successful completion of a special Phase II Review, the Tribe may be allowed to go to Phase II level at the discretion of the Commission. On May 14, 2001, the Kalispel Tribe requested a Phase II Review. The review was conducted

during May and June by Gambling Commission agents, and has been completed.

Mr. Zaher explained that the focus of the six-month or Phase II Review is outlined in the Compact Section III (H)(2), which states that any increase beyond Phase I limits is conditioned upon five criteria. The first criterion is that there are no violations of the provisions of the Compact which have resulted in sanctions imposed by the Federal District Court or the National Indian Gaming Commission. During the review it was found that no sanctions were imposed by the Federal District Court or the National Indian Gaming Commission. The second criterion is that there are no violations of the Compact which are substantial or due to repetition which would be deemed material. During the review several minor violations of the Tribal State Compact were discovered and two material violations were found.

As part of the review, staff compared approved internal controls to actual procedures to determine if changes to the approved procedures were made with tribal gaming or state gaming approval. During the review 14 occurrences were identified in four departments where approved procedures did not agree with the actual procedures performed by casino staff. None of the changes had been submitted to the tribal gaming agency or the state gaming agency prior to implementation as required by section 11A of the Compact. As part of the review, staff compared approved game rules to actual procedures to determine if changes to the approved rules were made with tribal gaming or state gaming approval. Staff documented five separate instances, two occurring during the review process where gaming operations staff implemented changes to their game rules and procedures before receiving approval from tribal or state gaming authorities. These unapproved changes included implementing new shuffling equipment, instituting new procedures for tournament play, and changing game protection procedures. On each occasion, gaming operations staff were informed of the violation and given instructions on how to properly make changes to and receive approval for game rules; however, they continued to make changes without the proper approval required by the Compact.

The third criterion is that there are no material adverse impacts on the public health, safety, or welfare of the surrounding communities. No material adverse impacts on the community were found.

The fourth criterion requires the Tribal Gaming Agency to develop a strong program of regulation and control demonstrating an adequate level of proficiency which includes the hiring of trained tribal gaming agents and independent management and reporting structures separate from that of the gaming facility or tribal bodies, to include a thorough and developed system for the reporting of Compact violations, and a strong and consistent presence within the Class III facility. Currently the Tribal Gaming Agency has a regulatory program in place that includes an independent management and reporting structure, operational and licensing regulations, reporting procedures for documenting issues they discover, and check lists to document work performed, including a completion frequency. This is the foundation of a strong program; however, the program only began to be formally implemented in April 2001.

The fifth criterion is that there are no material violations of Appendix A or B of the Compact. Agents found several minor violations of Appendix A. In addition to the minor violations found, there were significant Appendix A violations which directly correspond to the material Compact violations already mentioned. Specifically, the gaming operations department failed to receive approval from the TGA prior to the implementation of the revised controls and procedures. Staff found that the Kalispel Tribe of Indians has paid all necessary fees to the Washington State Gambling Commission pursuant to Section 13 of the Compact.

Based on the information staff gathered during the review, staff recommends conditional approval for Phase II limits for a period of at least three months. During that time staff will work with Tribal Gaming and Operations staff to follow up on the outstanding issues. Responses were received yesterday from the Kalispel Tribal Gaming Agency and from the casino operation indicating that steps already were being taken to resolve many of the outstanding issues. The Commissioners were provided with copies of the Tribe's response letters. Agents are currently reviewing the supplemental material in detail. Staff will continue to examine submissions from the Tribe and verify that changes are made as proposed. However, if items remain outstanding at the end of staff's follow-up review, staff propose that the casino revert to Phase I limits until all issues are resolved. **Mr. Zaher** noted that staff found the Government of the Kalispel Tribe of Indians, the Tribal Gaming Board and its staff, and the management of the Northern Quest Casino to be very responsive to and cooperative with state agents during the Phase II review process. He introduced several tribal representatives: John Dick, TGA Director, Curt Holms, Representative of the Kalispel Tribal Council, Bruce Diedish, General Manager of the casino, and Kent Caputo, Tribal Legal Counsel.

Commissioner Forrest asked if there was any reason why the violations couldn't be cleared up in a month -- the tribe seems to be cooperative and they appear to want to get it right? **Mr. Zaher** said staff is optimistic these can be solved fairly quickly. However, there are Memorandums of Understanding that need to be drafted; there are procedures that need to be rewritten, and staff has not received the internal controls or game rules that are consistent with what is actually being done at the casino. All of these things take a considerable amount of time for the TGA to review and then they are passed to Commission staff for further review. Mr. Zaher affirmed that while it's conceivable it could be done fairly quickly, and they certainly have tribal cooperation, he didn't believe it could happen immediately. **Commissioner Forrest** observed that the purpose of these reviews is to see whether they are ready to move up. When there are this many deficiencies, he thought that if the process is to have any meaning, the organization must meet certain standards before taking the next step. Commissioner Forrest thought this would be a good case to defer for a month. He didn't understand why it was necessary to have a three-month probation when, in fact, the \$250 limit is a probation period in and of itself. Commissioner Forrest advised that he was skeptical whether the Commission should have a three-month conditional approval of something like this.

Commissioner McLaughlin recalled that at the Semiahmoo meeting, the Commission held up a card room from moving to Phase II betting limits because not all of their violations had been corrected. She asked what was different about this case. **Robert Berg**, Deputy Director, explained the Tribe had two issues: the Tribe has a tribal lottery system in place wherein staff would be back in the facility anyway in three months, so changes are already factored into the Phase II of the tribal lottery system. The three-month period to work out some of the intricacies gives staff an opportunity to do that. Secondly, his observation of the TGA is that there were some rough points in the road when they started, but as stated, from about April on, they've really been proceeding at a good rate to get things accomplished. There will always be problems with the tribal casinos in terms of the six-month review because there is a lot to learn in the first six months. In this case, they had some fits and starts and there's only been a three-month period to work with them -- that's why the recommendation came forward as a conditional and with a three-month follow-up because staff would be there anyway for the TLS Phase II Review.

Representative Clements asked about the charity table. **Mr. Zaher** answered that the Tribe is authorized an additional table if they agree that the proceeds will be donated directly to charity. **Representative Clements** asked if this was part of the Compact as an agreement with the Commission that if there is a charity table the monies go to some organizations. **Director Bishop** clarified it is allowed but not mandated. Representative Clements asked if there is an articulated process. Mr. Zaher said the existence of a charity table would be evident in the accounting to the Gambling Commission. Representative Clements asked if staff could determine with this particular Tribe whether the money earned on the charity table is given to not-for-profits. Mr. Zaher didn't believe that this casino operated a charity table.

Chair Orr asked if there were any other questions for staff. There were none and he called for public testimony.

Kent Caputo, Attorney for the Kalispel Tribe, explained, there are no substantive issues here in the sense that anyone is saying the casino put forward rules that were somehow on their face inappropriate or incorrect. He emphasized that we are talking about minor violations; they are talking about patterns of some minor violations that then reach a level where Commission staff has determined that they would be material, but not substantive issues. There is no one from Kalispel that will disagree with the fact that, to quote Mr. Berg, "there have been fits and starts," in starting out. He added that, the Kalispel Tribe and the Northern Quest Casino enjoys a good relationship with WSGC staff, and he didn't see a reason to believe that's going to change. Mr. Caputo noted this is an issue of how much time does it take to get over the hurdle? The only real issue, is the second requirement that there must be no violations of the Compact that are substantial or due to repetition that would be deemed material. He advised that there are staff here today, the casino manager, and on the regulatory side, the Tribal Gaming Agency Director, that will say that they have spoken to the issues. This really is just a question of how much of the record is now before the Commission. He suggested there is no reason to delay Phase II implementation; it's really just a question of whether the Commission is comfortable enough to have them be on a probation period or whether that's even necessary. This operation from a regulatory standpoint and an operational standpoint is ready to proceed.

Commissioner McLaughlin said she wanted everyone treated the same and reiterated that the Commission held over one of the card rooms because they had not taken care of all their violations. As a result, the Commission did not give them their Phase II betting limits. She asked why the Commission should treat this case differently. **Mr. Berg** said one of the fundamental differences is that Commission staff enjoys a co-regulatory role with tribal gaming agencies. With a

card room licensee, the Commission is the sole regulator and they rely on voluntary compliance. In the tribal arena, the tribal gaming agency is a regulator as is the Commission. Because it is a partnership, they function as the Commission staff's eyes and ears to accomplish the regulatory function. Therefore, if there are minor problems that are material, but maybe not substantive, there's a great deal more comfort going forward with the conditional because that other regulatory agency is out there. Commissioner McLaughlin asked if the Tribe didn't take care of these violations in three months would they return to Phase I limits. Mr. Berg affirmed that point could be argued. He emphasized that Commission staff and the Tribal Gaming Agency would probably come together and work those things out, which is the one difference between the house-banked or the commercial stimulant arena versus the tribal arena.

Commissioner McLaughlin turned then to Mr. Caputo and asked him if the violations are not taken care of in three months, would they willingly go back to Phase I. **Mr. Caputo** said they wouldn't have to wait three months, they hoped they could come back in a month. He indicated that the first person that would be upset if the issues are not being answered is the Director of the Tribal Gaming Agency. He emphasized this is a government to government operation and their government is satisfied that they are living up to the expectations. When Quinault was before the Commission in February, there was a recommendation from staff based on technical issues that there be a conditional approval, and that was voted against because the conditional was not necessarily appropriate in that case. Mr. Caputo noted that in this case, there are no local governments involved, there is no one else in the negotiation mix. The only folks that have to be satisfied are the Tribe and their regulating authority, and by Compact, the Gambling Commission. From a substantive standpoint those have been met, and it's really a matter of how long it takes before the agency is comfortable there is a pattern of good conduct rather than a pattern of some minor violations.

Commissioner Ludwig asked how long ago the Spirit Mountain Management agreement was entered into. **Mr. Caputo** believed it was over a year ago in February. Commissioner Ludwig referred to page 3 of the report - talking about the Management Committee. As described in the casino's organizational chart, the Spirit Mountain Management Agreement has not yet been formalized and he asked why things were bogging down? **Mr. Caputo** said there have been a number of slowdowns, both at the federal approval level for the management compact and other issues between the management company and the Kalispel's, but the management company is not managing, so the need to have that board set up or have those procedural issues with the management company go forward has not been required. Kalispel is managing themselves and that management contract with federal approvals has not been approved at this point. Commissioner Ludwig asked Mr. Caputo if what he meant by "set up," meant the Kalispel Development Organization. Mr. Caputo was not sure what the technical statistics were between the tribal government and the casino, but he believed it's the tribal government first, and then through their economic development enterprise.

Bruce Diedish, General, Manager, affirmed Mr. Caputo's statement and requested the Commission's forbearance in his attempt to answer Commissioner Ludwig's question. He said that with regard to Spirit Mountain Management, the Kalispel Tribe created what was called the Kalispel Development Office. This office is an arm of the government just like the police department would be or any other entity. It consists of a member of the Tribal Council, the tribal attorney, and the business manager of the Tribe. Until the National Indian Gaming Commission regulations and the Indian Gaming Regulatory Act, the management committee that's referred to is Spirit Mountain, the agreement contemplated a five-member board, three from the Tribe and two from Spirit Mountain. That board cannot be functional until the federal government, through the National Indian Gaming Commission, approves the management agreement. At this time, that agreement hasn't been approved. In the meantime, the government of the Tribe had the wherewithal and the ability to move forward in operating the casino. Mr. Diedish clarified the management committee is actually an entity of three members created by the Tribe that is essentially his board of directors. If the final agreement is approved, they will have a five member-board. Right now, Mr. Diedish said he reports to the Kalispel Development Organization/Management Committee (KDO).

Commissioner Ludwig asked if KDO is managing the casino. **Mr. Diedish** responded in the negative. Mr. Diedish said he is the general manager, and essentially, the Kalispel Business Council is in charge of the casino. It has decided (from an advisory standpoint) that rather than Mr. Diedish reporting to the full business council on a regular basis, it appointed the members of KDO who were originally appointed two or three years ago at the tribal level to bring this project together. Once Mr. Diedish came on board with a management team and 500 employees, the Council said they did not want to be involved on the day-to-day basis. They didn't have the Spirit Mountain Management Agreement approved; therefore, they decided to utilize the three-member team they created to help this project move forward. He affirmed they're all employees of the Tribe, so, from that standpoint, the Tribe is regulating, managing and controlling.

Spirit Mountain is not there as a manager because the management agreement hasn't been approved. **Commissioner Ludwig** said the Tribe is doing it through the KDO. Mr. Diedish affirmed the three members they report to are KDO.

Commissioner Forrest asked what happens if the government doesn't approve the Spirit Mountain Management Agreement? **Mr. Diedish** directed attention to the original charter which contemplates a board of directors. The Tribe will move forward in appointing a five-member board of directors. Whether or not the three members of KDO would be members of that five-member board is unknown. Commissioner Forrest asked why the federal government had not approved this yet. **Mr. Caputo** believed it was just a question of time and the issues between Spirit Mountain and the Tribe. Commissioner Forrest noted that when it's approved, they will have to reorganize a current operating scheme to conform to the Spirit Mountain Agreement. Mr. Caputo said it's really a question of whether they will be individuals under the direct control and employ of the Tribe who will be acting in some of these management roles, or, whether there will be outside consulting managers acting for the Tribe.

Commissioner Parker asked what the impact of a conditional approval was versus an unconditional approval in terms of day-to-day operations or future plans. **Mr. Caputo** said the impact could be severe depending upon how open-ended the conditional order is. If it's at least 90-days, it means the conditional order could be hanging over them for awhile. Impacts are felt in their ability to borrow money, the ability to plan for expansion and buying different gaming devices. It's hard to go to a lender and say, "We're in Phase II; sort-of," rather than, "We're in Phase II." As a government with it's own regulator that feels ready to proceed and continue to work with the state, they'd much rather not have the condition and go forward and regulate and proceed under the Compact.

Representative Clements asked how long the Tribe has known they've had the problems with compliance. **Mr. Caputo** said they were not aware of the specific conditions until recently. In terms of the general knowledge, they've had procedural issues, which has involved an ongoing dialogue with staff. He believed they could have answers to all of the conditions to the satisfaction of the Tribe and the tribal regulators, and that it's a matter of procedurally working through getting the paperwork done. Representative Clements asked how it would affect them if the Commission decided to hold this in abeyance until they were in compliance? Mr. Caputo said they were in compliance now, that is was simply a matter of paperwork that would be done within weeks. **Commissioner McLaughlin** said she understood that it would take up to three months, which would make a difference in her decision. Mr. Caputo said his understanding from both the governmental representatives and the Tribe's regulatory representatives is that they have now met the conditions in the Commission's order. The question is when will the WSGC staff be confident that they've met them long enough and that the Tribe has provided enough information that they can recommend full approval to the Commission. **Ms. Cally Cass-Healy**, Assistant Director, said that when staff's three-month recommendation was made, the Tribe did not have their responses. Staff just recently received the Tribe's responses and hasn't had a chance to evaluate them. She affirmed there's a chance staff could do that in a more timely fashion, but at this moment they don't know for sure. **Mr. Berg** added that notwithstanding Mr. Caputo's comments, some of the issues as identified in the case report were more along the lines of implementing things that are on paper as opposed to just having those things on paper. He said Mr. Caputo is right; although the dialogue was ongoing with regard to the issues they discovered, the culmination of those ideas coming forward in the document have just recently been shared. Mr. Berg said there was a letter sent, and he personally contacted certain tribal representatives; however, everything has taken place very recently because it is a developing situation.

Commissioner Parker recalled that in the case of the Quinault Tribe, the conditional aspect dealt with things that were under the control of other jurisdictions they were dealing with. In this instance, what gives rise to the conditional aspect of the proposal is meeting all of the operational requirements that are under the control of the Tribe. He asked if it would make sense to suggest a 60-day period as a condition, and then if there's full compliance in 60 days, a final approval would be brought back before the Commission. If it wouldn't make a difference, it could be left at three months. **Chair Orr** commented that although there's a staff recommendation for acceptance, and there are some problems, he suggested they go forward, because he was inclined to trust staff's expertise and recommendation. **Commissioner Ludwig** said that based on the indication the Tribe believes they've corrected every deficiency, and Mr. Berg's acknowledgement of receiving the documentation (but, staff just has not had time to approve it), indicates that the Kalispels are moving in the direction of making sure that everyone is satisfied. Commissioner Ludwig advised he would support conditional approval as recommended, or Commissioner Parker's recommendation. Commissioner Ludwig asked for a clarification on the deficiencies and staff's recommendation.

Mr. Zaher responded that the major issue was that the operation was changing their internal controls, they were changing the way they do things -- changing the game procedures and rules, and not notifying the TGU and WSGC regulatory bodies of what they are doing. When that happens, it negates the function of the regulatory bodies involved. That is a major concern to staff because that means that the TGA and WSGC don't have the level of oversight they should have in their relationship between the Tribe and the casino. With regard to the submissions received, staff reviewed them very generally, yesterday. It contains the beginnings of compliance, but the majority hasn't been verified by WSGC staff and there is still the issue that they do not have a current and correct version of their controls and procedures that corresponds to what they're actually doing. Staff recommends conditional approval because they are confident that in time these issues can be resolved. There is a certain timeframe under the Compact for that to happen, and Mr. Zaher affirmed the casino has not submitted everything they need to in order to bring themselves into compliance. **Commissioner Ludwig** stated that he felt comfortable everything will be brought in line and reiterated that he had no problem with staff's recommendation. **Commissioner Forrest** said the statement speaks for itself—they haven't met the standards, and if it's as easy as they think, they should be able to come in compliance in 30 days. Mr. Zaher said he is not sure that the WSGC staff and the TGA staff could review everything they need to review and reach agreement on proposed revisions and changes that quickly.

Commissioner Parker made a motion seconded by **Commissioner Ludwig** to accept staff's recommendation for a conditional 90-day approval, and if there is a possibility of bringing it back to the Commission before 90 days have passed, to do so.

Commissioner McLaughlin advised she was going to vote against the motion because she just felt everyone should be treated equally. She reiterated the conditional review for the Quinault matter was not in relation to violations in their gaming establishment; it related to outside agencies and the Commission didn't think it was fair that they be held back. *Vote taken; motion passed with three aye votes. Two nay votes were cast by Commissioners McLaughlin and Forrest.* The Ex Officio members voted as follows: Senator Prentice aye; Senator Winsley, aye, Representative Clements, nay.

Commissioner Orr called for a recess at 3:30 p.m., and reconvened the meeting at 3:45 p.m.

Jerry Ackerman, Assistant Attorney General, reviewed the statute during the break and clarified for the record that under RCW 9.46.360 the Commission's Ex Officio members may only vote on Compacts and on amendments or changes to the Compacts. The Phase II Review is none of those things, and while having the Ex Officio's opinions expressed did no harm, the official vote on the motion should reflect passage with three aye and two nay votes.

8. Default Hearing:

Denial - Card Room Employee's License – Jason Peterson:

Amy Patjens, Manager, Communications and Legal Department, informed the Commission that staff is requesting a default order on Jason Peterson who applied for a card room license to work at the New Phoenix and Last Frontier card rooms in LaCenter. Mr. Peterson failed to disclose numerous arrests, charges, convictions, and fines that are over the amount of \$25, even though the agency's application clearly explains that all of these must be disclosed. The Director brought charges against Mr. Peterson; they were sent both by regular and by certified mail. There was no response. She noted that the cover letter sent with the charges clearly explained that if one does not respond, a default order to deny the application would be requested. Staff also left a message at the telephone number Mr. Peterson had on his application asking him to call back. The call was never returned and by not responding to the charges, Mr. Peterson has waived his right to any hearings. Staff is requesting that the default order be entered denying his application.

Commissioner Forrest made a motion seconded by **Commissioner McLaughlin** to approve staff's recommendation that a default order be entered denying Jason Peterson's application for a card room employee's license. *Vote taken: Motion passed unanimously. (Commissioner Parker was absent for the vote)*

9. Other Business/General Discussion/Comments from the Public:

Chair Orr called for comments from the public. There were none.

10. Executive Session to Discuss Pending Investigations, Tribal Negotiations and Litigation:

Chair Orr called for an executive session at 3:50 p.m. and announced that no further business would be conducted. Chair Orr explained that on Friday, an executive session would be conducted at 7:00 a.m. in order to evaluate the qualifications of applicants for public employment. The open public meeting would be called to order at 9:30 a.m. rather than at 10:00 a.m. as published.

11. ADJOURNMENT:

At 4:30 p.m. **Chair Orr** reconvened the meeting and declared the meeting adjourned until 7:00 a.m., July 13, 2001.

**COMMISSION MEETING
FRIDAY, JUNE 16, 2001
MINUTES**

COMMISSIONER GEORGE ORR, Chair:
COMMISSIONER CURTIS LUDWIG;
COMMISSIONER LIZ McLAUGHLIN
COMMISSIONER MARSHALL FORREST;

BEN BISHOP, Director;
ED FLEISHER, Deputy Director, Policy & Government Affairs;
CALLY CASS-HEALY, Assistant Director, Field Operations;
DERRY FRIES, Assistant Director, Licensing Operations;
AMY PATJENS, Manager, Communications & Legal Dept.;
JERRY ACKERMAN, Assistant Attorney General;
SHIRLEY CORBETT, Executive Assistant

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3. STAFF REPORT – ADMINISTRATIVE CITATION:

Mr. Berg, Deputy Director, addressed a project the agency has been involved with for about ten months involving the use of administrative citations. Staff has been pursuing an alternative to filing formal statements of charges with the Communications and Legal Department (CLD) for violations of the Washington Administrative Code, specifically, some rules pertaining to gambling in the state of Washington. He stressed that the agency's approach to regulatory compliance is that of voluntary compliance. It is the agency's primary and most effective method of achieving compliance and its leveraging resource is getting the agency's licensees to help the agency to regulate them by showing them the advantages of voluntarily complying with regulations. That voluntary compliance continuum consists of education and training, a mandatory training program that is given to all new licensees, proactive visits and inspections by the agents, verbal interaction and correction where necessary, written warnings to the licensee, warning letters, and then, ultimately, for the most recalcitrant or continuing offenders, a referral through the agency's Communications and Legal Department. At that point, they either enter into a settlement in lieu of charges with the licensee, or formal charges are filed and result in either a negotiated settlement or a hearing before a law judge.

The cases that are filed with CLD require a great deal of staff time and energy to prepare the information necessary to go to a hearing before a law judge. The proposal that has been studied deals with the creation of an additional tool for the investigators to use in gaining compliance from licensees with Commission rules. Specifically, staff is looking at the use of what's called an administrative citation as a regulatory enforcement tool as an additional tool in lieu of filing all case reports with CLD. This is an interim step between the warning letter and the actual filing of charges with CLD. Staff hopes to reduce the time expended by staff attorneys in preparing the statements of charges, and they will be looking at violations that are common or ordinary and uncomplicated as to issues of proof, and that are fairly obvious in terms of their investigative and evidentiary needs. It will provide the special agents with an empowerment tool in a process that will provide timely feedback to licensees for the purpose of correcting current and avoiding future violations. The precedent already exists for this kind of an approach. Licensees late in filing their quarterly reports with the agency routinely receive a settlement in lieu of charges from the agency wherein they can pay a predetermined fine amount and not have a formal statement of charges issued. We have found this to be rather successful in both avoiding staff time in preparing cases and getting cases resolved rather quickly.

When staff began this process, staff considered the legal authority under which we could do this under the APA, the practicality of doing it, efficiency versus effectiveness, and we considered concerns about regulatory consistency and retention of the voluntary compliance emphasis. This will hopefully provide another tool before we get to the point of formal statements of charges being filed. The action team worked very hard on this proposal and brought it forward to the management sponsors, who reviewed it with the Director. Staff is recommending a phased implementation program regarding the use of these administrative citations beginning January 1, 2002. Initially, these citations would only be used for three offenses: a licensed premise allowing employees to work after their card room employee license is expired; certain surveillance violations (such as failure to retain tapes, failure to do any recording at all), and finally, failure to delete a prize from the flare. Those three violations are obvious in terms of that the evidence required is rather simple to gather and the investigation is simple to conduct.

There are some issues that do remain for the project, one is the notice and due process issues under the Administrative Procedures Act; specifically, who could sign for the citation at the licensed premise (the owner?) and would they actually be agreeing to the settlement at that point in time? Or, would this just be acknowledging the receipt of the administrative citation with a follow-up with the agent to see if it could be settled? There is also an issue about penalty amount issues. Staff doesn't want to get into the promulgation along the type of a traffic infraction penalty schedule, but staff would like to have uniformity in regulatory consistency. There are also some procedural and training protocols, coordination with CLD and some technology issues. Mr. Berg noted that presenting the results of the research and planning to the Commission is very important because while it is not a shift in how we view our regulatory approach, it is something new and different. It is also a departure from the regulatory aspects that we have been involved with. Mr. Berg affirmed that it doesn't rise to the level of gambling policy, but it does rise to the level of a regulatory policy -- instead of minor infraction decisions being made at headquarters, such would be made in the field by the agents. Mr. Berg emphasized that staff has come to the conclusion that this will probably not make them more efficient because the work still has to be done. It's going to be done in the field and at the regional level as opposed to headquarters. However, staff believes this will be more effective. It will provide the field agents an additional tool to use as long as the regulatory consistency is

maintained and we don't abandon our emphasis on voluntary compliance. Mr. Berg asked for feedback from the Commissioners.

Chair Orr called for questions. **Commissioner McLaughlin** questioned how agent consistency in their decision-making practices would be maintained. Mr. Berg advised that in a sense, the agency is still the final resort and consistency would be maintained through training and education. Regional meetings are held once a month, wherein issues are discussed to make sure staff is consistent with their regulatory approach. More importantly, the only difference is that the agent would be issuing a citation for this kind of violation or filing charges with CLD—writing a case report. Staff attorneys would then prepare the statements of charges. In effect, this doesn't give the agents a license to do something they're not already doing. It just changes the manner in which they do it.

Mr. Berg emphasized that the important thing to remember is this that although this is called an administrative citation, technically, it's a settlement in lieu of charges because the licensee gives up nothing in terms of due process. The licensee can simply say, they don't want to settle this in lieu of charges and ask the agency file to our formal statement of charges. The administrative citation would follow the written warning process and either precede or be in lieu of a statement of charges. It's the sort of situation that expedites some of these violations.

Chair Orr asked how many times a person gets to do this. **Mr. Berg** said it depends on the nature of the offense. Director Bishop has issued a zero tolerance statement with regard to allowing unlicensed employees to work, which is viewed as a serious violation. Normally, when staff comes across a situation, the facts of the case may well determine the agency's approach. The culture of the agency has been to issue a verbal warning, then a written warning, then a statement of charges, which now would be a verbal warning, a written warning, a citation, then statement of charges. Chair Orr expressed concern on how often the regulator checks the violating licensee to make sure he's righteous. Mr. Berg responded that the agency has a schedule; it has modules that the agents try to perform in the card rooms, he believed that puts the agent on site at least once a month and sometimes more often.

Director Bishop stated that staff would appreciate the Commissioners bringing forward any thoughts on the program. Staff is not planning for this to go into effect until the first of January. **Commissioner Forrest** said he was delighted to hear the emphasis on consistency and he hoped there would be internal guidelines about other settlements that ensure the agency is as consistent as it can be with reasonable flexibility. **Chair Orr** called for comments from the public.

George Teeney, owner of The New Phoenix and the Last Frontier in LaCenter, agreed with Commissioner Forrest. It has always been one of the licensee's concerns that people were treated, it seemed, a little bit different in different parts of the state. He applauded the concept and looked forward to seeing the program go forward. Speaking strictly from a personal perspective and not as an association member, or for any other licensees, he addressed the problem regarding renewing licenses. Renewal information is sent to the employee and not to the licensed establishment, who must then trust what the employee tells them. The reality is that maybe they never received the renewal, maybe they never sent it in, and the onus falls on the employers' shoulders. They're the ones that get ticketed. He would like to be able to have the renewal slips sent to his establishment so he could make sure his employee takes care of their obligation. Mr. Teeney believed that if the employers are going to have to take on the responsibility for employees not having their license, he would like to be able to have the wherewithal to make sure that the license is filled out correctly.

Bob Tull, Attorney, addressed consistent enforcement and affirmed there's complete agreement on what ought to be done to resolve a matter. It's been a struggle because staff wants to be consistent, and in the past that has usually meant staying more formal. This proposed approach would let staff be less formal, but still consistent. Mr. Tull believed this is an excellent evolution and will help a lot of the little situations remain small. There were no further public comments.

RULES UP FOR FINAL ACTION

4. Electronic Facsimiles of Cards:

WAC 230-40-010; WAC 230-40-070:

Ms. Patjens reported this rule is up for final action today and this is the fifth time that it's been on the agenda. A demonstration of the system was provided in April. The company also made the system available for viewing yesterday. She noted the existing rule requires playing social card games with standard decks of playing cards. If this system was

approved, the rule would need to be amended to allow electronic card facsimiles as another method by which to play the social card game in addition to the traditional decks of cards. Ms. Patjens explained that most of the rule changes are in Item 4B, allowing the director to approve electronic card facsimiles as long as certain conditions were met, including having the system tested by a gaming testing laboratory. The manufacturer would pay all of the costs for the testing. Last month staff proposed an alternative to 4B that added language to make it clear that the director has final authority on whether the system meets these requirements, not the testing laboratory. Language was also added that the system must be operated by card room personnel and cannot be manufactured to allow play against the device.

Ms. Patjens explained that when the Commission was in the midst of the Friendly Lawsuit, the definition of what “play against the device” meant was very important. Staff does not view this as being like the Tribal Lottery System, but felt it was good to have it be very clear. Last month, the Commissioners received letters from the Muckleshoot, Kalispel, Stillaquamish, Chehalis and the Suquamish Tribes expressing concerns about the system. The Commission also heard from representatives of those tribes as well as a number of other tribes. Staff also received letters from Representative Conway and Representative Clements, Co-chairs of the House Commerce and Labor Committee, a letter from Representative Bush urging caution on this matter, and a letter from Representative Lantz expressing concerns about the possible expansion of gambling. Last week a letter was received from King County Executive, Ron Sims, the King County Prosecutor, and the King County Sheriff, expressing concern. They felt that perhaps this brought Washington one step closer to wide-open gambling in the community and they urged that the rule be rejected. They felt this was a significant policy change, which more appropriately should be addressed by the State Legislature. There was a response letter sent and staff also let them know that there would be a demonstration of the system at the meeting this month. Several letters arrived within the last couple days and were distributed to the Commissioners. There was a letter from the Chehalis Tribes as a follow up to the testimony they provided last month. A letter was received from Co-speaker, Frank Chopp, asking this be rejected in order to give the Legislature the ability to review the ramifications of the policy. The Pierce County Executive, Pierce County Prosecutor and the Pierce County Sheriff also urged rejection of this rule. Lastly, a letter was received this morning from the Lottery Commission’s Executive Director stating that they view this as a significant change. Ms. Patjens affirmed the rules are up for final action, and noted the decision on whether to approve electronic facsimiles is a policy call.

Representative Clements asked what the Commission’s costs would be for monitoring and regulating this activity, should the rule be approved. **Ms. Patjens** advised there would be additional costs associated with the program. Right now, it is estimated it would cost about .7 of an FTE and about \$9,000 in equipment costs. The initial testing costs would be the manufacturer’s responsibility and would therefore be borne by the applicant. She also explained that when staff deals with any type of a new electronic system, there are internal checks in addition to the gaming laboratory tests. Representative Clements asked if anyone was qualified right now to fulfill the job that would be necessary. **Ms. Cass-Healy**, Assistant Director, responded that staff has a good idea of what they need to do because of our TLS experience. Our Tribal Gaming Unit agents and the lab have a comprehensive knowledge of the type of testing required.

Senator Prentice said she personally questioned some things after reading the informational packet provided by Digideal. In reading the packet, she noted this allows faster games, which means there are more occurrences. She explained the operational definition of expansion of gambling used at the Legislature includes more occurrences, which happens with a faster game. Senator Prentice believed that at least as far as the Legislators are concerned, this really equates with an expansion. She noted that she’s really not certain, and that staff might have to wait for the Legislators to know more than they do at this moment. Senator Prentice addressed the letters received from the elected officials in two of the most populous counties and the law enforcement agencies, and noted they raised questions that need to be answered. Senator Prentice emphasized that there is a terrific paranoia within this industry—everyone is looking at someone else having an edge. She indicated that she would feel a lot better if the Commission would organize a work group to see if some of the differences could be resolved. She stressed the necessity to proceed carefully because of all of the questions have been raised. **Chair Orr** thanked Senator Prentice for her views and addressed her concerns regarding faster and more, and said she is absolutely right. He noted there was also testimony about the amount of employees a person has, that if someone had 100 dealers compared to 120 dealers, there’s faster and more play. He didn’t doubt that there is some significant paranoia, however, he noted, no matter what the Commission does, as soon as a decision is made, someone will be cranky -- because they didn’t pay attention until they were impacted, or they weren’t heard. Chair Orr noted this issue has been ongoing for five months, and he expressed his appreciation for the comments from those who have written. He emphasized that it is difficult for the Commission, as policymakers, to wait until every person who writes a letter is satisfied and he believed that it was time for the Commission to make a decision.

Senator Prentice asked why the Commission waited for the Ex Officio members to be able to attend the Commission meeting. **Chair Orr** responded that the Commission postponed decision making so there would be time for everyone to communicate. **Representative Clements** said that he spoke with Representative Conway and they feel like there's a plethora of things that are starting to develop in the electronic world relating to the gambling industry. Representative Clements characterized that at least in his committee with Representative Conway, there is probably little or no interest in allowing this to go forward. He commented that the world we live in is exponentially changing so rapidly, and that the legislative body needed to take more responsibility in looking at just exactly where we're going and what we're doing in this state regarding the gambling devices used. He explained that he and Representative Conway use the words "slow creep"—it just keeps edging ahead, and affirmed they would commit facilitating some tough perspective into looking at this issue to help the Commission as we go forward. Representative Clements believed the Commission would come under more pressure as they have to address new technology and new equipment while also addressing fairness and competitiveness. Representative Clements expressed great respect for the Commissioners, noting they do an admirable job, however, he asked them to wait on making this decision. He promised them this issue had the Legislature's attention and he felt that as a legislator, he had a responsibility to help the Commission -- he wanted to do that without circumventing the Commission's power or authority.

Commissioner Ludwig commented that he had wanted to delay this decision until the ex officio members could be here because of concerns he had the first time this issue was discussed. Several months later, after being exposed and finding out how the system works, he had a change in his position. He noted that every time he views the demonstration, reviews the data and considers the rule, he becomes even stronger in support of this rule. He believed this is a more efficient way, a better regulated way, it doesn't deal the cards and doesn't change the game of Blackjack in any way at all. It is exactly the same game. Instead of dealing the cards and trusting the human element to not make a mistake, a computer deals the cards. Commissioner Ludwig felt that for that reason, this is more efficient and that it might appeal to the public. He affirmed it might give someone who has this in their facility an edge over someone that doesn't because it might be more popular. However, it wouldn't be an unfair edge because anyone involved with Blackjack or house-banked card games in the state of Washington would be able to get this item. There's no unfairness involved.

Commissioner Ludwig noted that he couldn't recall in the last five or six years, any time when the Commission had this much correspondence from the Legislature and other interested parties in opposition to a rule. He had thought that was a good reason to slow down, until today, and he noted he was ready to vote. However, to give the Legislature and others that have concerns a chance to resolve their concerns, he asked if it was possible to delay this further without running afoul of the Administrative Procedures Act. **Jerry Ackerman**, Assistant Attorney General, responded that it would be possible to delay; staff would have to do an extension of the Form 101.

Commissioner Forrest said he was personally in favor of moving forward today. He noted that in all the letters, he hasn't heard a new argument. If this is delayed a month, a few more letters may arrive, but he didn't think there would be any new substantive arguments that would change his mind. He commented that it is a good thing to have the Legislature at these meetings because the Commission values their opinions. He agreed that we are in a fast-moving world and that Representative Clements has put his finger right on the issue – there are going to be a series of hearings where the Legislature will look at gambling overall. Commissioner Forrest addressed the expansion issue, and noted that current law, which the Legislature hasn't changed or done anything about, allows unlimited applicants who pass stringent requirements of being free from organized crime and who have the financial wherewithal to open cardrooms in any jurisdiction they are allowed. He believed the real expansion was when the legislation passed allowing as many card rooms as the market would bear. He thought that may be a good test – maybe card rooms are something that need to be limited—and that's a legislative decision. Commissioner Forrest advised that he's not persuaded that changing a game from a human dealer to a machine doing the dealing would be any meaningful expansion. He didn't believe that if it moved a little faster that it would make a big difference. The machines used in the tribal lotteries move fast. The arguments expressed on behalf of the tribes in their various letters, in his view, address a technical argument that this is in some way more like a slot machine than traditional Blackjack. He found that argument ironical since they've received approval of a machine which is mathematically a lottery, but is functionally to him and the public, a slot machine. To argue that this machine, which is visible, where anyone can look at it, is more like a slot machine than it is like traditional Blackjack, was totally unpersuasive to him. He felt that if this is a slippery slope of some kind, that's because this Commission and/or the Legislature let it become a slippery slope. Any new machines have to come before the Commission and if the Legislature really thinks this is bad, they can, of course, ban this machine. The Commission is

not preempting something they can't correct. Commissioner Forrest felt that the arguments have been well made; however, this is a technical argument, which he finds unpersuasive. The policy argument that this is somehow an expansion, he couldn't buy into—it's the same game that's been played—he didn't see a real expansion in gambling. He believed the expansion in this state takes place because they've authorized as many card rooms as the market will bear and until the Legislature substitutes another standard, the market is the test. He emphasized that he was prepared to approve the rule today, and he didn't think the Commission would be any wiser two months from now.

Chair McLaughlin said she felt just the opposite—initially she was all for approving this machine because she thought it was a fun game and she didn't have any trouble with the regulation or the safety for the public. She suggested that perhaps if it's such a fast game, some of the tables in the card rooms should be removed. Commissioner McLaughlin reported that she has changed her thoughts and one of the reasons relates to the letters the Commission has received from Speaker Chopp, the King County Executive, the Pierce County Executive, and others. She noted that she read them and doesn't make light of those letters. She also addressed the packet developed by Digideal and affirmed they went through a lot of work to put it together. **Commissioner McLaughlin** noted it contained a lot of magazine articles that she had questions about and wanted to discuss them with the manufacturer. For the record, Commissioner McLaughlin stated that she would like to wait to make a decision; however, if the vote is called for at this time, she would vote no. **Chair Orr** called for further comments; there were none, and he opened the meeting for public testimony.

Phil Talmadge, Attorney, representing Digideal, subscribed to the view that the Commission should take action on the rules today, noting this is the sixth time they have been before the Commission providing information. He supported Alternative #1 as drafted by staff because it makes clear that is not an expansion of gambling, it is not video Poker; it is simply the opportunity to use an electronic facsimile for the traditional cardboard or plastic card. Nothing is being done differently with regard to the scope of gambling in the state of Washington. At the last hearing, Digideal was asked to conduct another demonstration at this meeting of the Commission. That has been accomplished. The Commission asked them to communicate with the ex officio members of the Commission and anyone else who had raised questions about the product. That was done, and Digideal has sent information to anyone that requested data. Mr. Talmadge reminded the audience that Digideal has no complaint with the tribes or mini casinos about this issue. This firm has been very straightforward with the Commission in its application for a rules change, and they are just trying to provide a product that has nothing to do with any political controversy associated with any other group. What they ask the Commission to do is simply turn to the language of the rule itself. Mr. Talmadge acknowledged the Commission has heard a lot of concerns raised from county officials; however, none of them have ever seen this product. He invited the Commissioners to focus on what the proposed alternative rule does. It allows an opportunity for a corporation like Digideal to apply for approval. Rule approval doesn't guarantee that the Digideal product is going to be accepted by the Commission; it simply makes possible the opportunity to apply. To be successful, Digideal will have to meet all the standards to the satisfaction of the Commission's staff. The Commission has total control as to the approval of this process. Digideal will not be able to put its product out in the state of Washington until the Commission says that it's acceptable in terms of this rule. The rule makes clear that this product is not video Poker because you can't play against the machine. This product is safer from cheating—one can't mark the cards, and one can't deal below the deck with this computer. From a regulatory perspective the opportunity exists to look at the programming, a record of all the transactions exists, unlike the regular dealer system. The rule change before the Commission is simply the authorization to apply for approval, and to meet the stringent standards the Commission sets. He said Commission staff has analyzed the rule and the issue. There are memoranda from the Assistant Attorney General and commission staff to the Commission evaluating the authority of the Commission to proceed. This is not an expansion of gambling. The security for this issue is ample, the Commission has total control of whether or not approval is given to an organization like Digideal, and he asked for the Commission's favorable approval. (Several equipment operation questions were asked and responded to by Larry Martin representing Digideal Corporation.)

Commissioner McLaughlin expressed concern about public perception and noted that she is constantly being asked why we are making Washington more and more like Nevada. She appreciated receiving the packet from Digideal and noted there are articles in magazines that deal with gambling. One of the statements indicated that this machine is no different in theory from regular Blackjack yet brings the slot-style look to the ever-so-traditional-look of the gaming pit. **Larry Martin**, Digideal, responded that the packet presented a sample or reprint of virtually every article that's ever been written about their product. He advised that he didn't censor the material and that he didn't have control over what other people write. Authors were free to express their opinion or their interpretation of the technology. Mr. Martin stressed that he did not agree with the author. He affirmed their technology is flashy and that it has a certain amount of

sex appeal and some pizzazz to it. He didn't think it looked like a slot machine and he noted that a slot machine has a bill or coin acceptor—the player must place money into the machine. A slot machine is a game one plays by sitting in front of a machine and playing directly against that machine. This is a table game played with other people. Mr. Martin stated that from his perspective as a game designer, players enjoy the interaction of gambling, which is why their patent requires a dealer.

Commissioner McLaughlin asked whether the mini Baccarat table was one of the many things Digideal was going to invent. **Mr. Martin** affirmed the company was a game development company—they are not a gambling company, they're not a casino—they are 11 people based in Spokane who have developed and invented a digital card system that shuffles, deals and displays playing cards as digital card facsimiles. The first game developed was Blackjack because it is the largest table game in the world. They have developed a Baccarat game because it is also an existing card game, and they are looking at developing a Poker game. Mr. Martin reiterated that the amended rule simply recognizes the existence of digital card facsimiles. It does not approve any of their technology.

Commissioner McLaughlin verified if Baccarat was allowed. **Mr. Fleisher**, Deputy Director responded that Baccarat is allowed in the tribal casinos; it's not allowed in the house-banked card rooms because it's not a social card game. **Mr. Martin** explained they would not submit their Baccarat game for approval in mini casinos because the rules don't allow it. **Chair Orr** explained that the Commission is only considering licensing this Blackjack table.

Senator Prentice noted the legislative committee was very different from the Gambling Commission, and that they were going to be in Spokane in September. She invited Digideal to bring their machine and testify before the committee. **Mr. Martin** said they would be very happy to display their product at the meeting and also invited the committee to their showroom, which displays their Blackjack product, the Baccarat product and another game called Bonanza Blackjack. Senator Prentice said she would work with Mr. Talmadge to develop a schedule. **Chair Orr** asked if there were other questions. There were none. He recessed the meeting at 11:05 a.m. and reconvened the meeting at 11:15 and called for public testimony.

Joe Beck, Executive Director, Washington Indian Gaming Association, said his organization opposes the proposed rule. The WIGA believed the policy that would be established by that action may open the doors to a proliferation of these kinds of devices. He clarified they are not opposed to Digideal per se; they are opposed to the rule and they are concerned about the precedents it may set if it is approved. Furthermore, the organization takes the position that these types of machines should only be allowed to be sold to governments and not private entities as provided under the Indian Gaming Regulatory Act. The WIGA believe these machines could potentially become Class II machines which are specifically reserved for economic development purposes for nations. **Commissioner Ludwig** thought Blackjack was a Class III game. Mr. Beck affirmed it's a game, not a machine. **Senator Winsley** asked if the tribes would be able to buy these digital card-shuffling machines. Mr. Beck affirmed the tribes could purchase the system. Senator Winsley concluded that all was fair and square if the tribes and the casinos could participate. Mr. Beck responded that he is not an attorney and would not stray into that area. In terms of the technological arguments that have been put before the Commission already, he advised that since he is not an engineer, he couldn't speak to that either. If the issue gets to the question of a level playing field, there isn't a level playing field, specifically because the machines in place at the tribal facilities are reserved under IGRA. They are specifically used for economic development purposes—for job creation, for health care and for public safety.

Commissioner Ludwig asked if a Blackjack table was a Class III gambling device. **Director Bishop** and **Mr. Fleisher** affirmed. **Mr. Fleisher** went on to clarify that many of the house-banked games that are played are Class III under IGRA. He further stated that IGRA does not reserve Class III gaming for tribes only. While it's not under IGRA, at the time Appendix X was agreed to, the Governor made some commitments to the tribes that the tribal lottery machine or slot machines would not be approved in Washington. That was generally the agreement that was made regarding slot machines, tribal lottery machines and the Class III devices. Mr. Fleisher noted all the games that are played in the house-banked card rooms would be classified as a Class III under IGRA. **Commissioner Ludwig** questioned what the tribal casinos could do under IGRA. Mr. Fleisher responded that IGRA requires that the state negotiate in good faith for any gambling activity that is allowed in the state for any person. For example, the tribal lottery machine is not allowed for commercial enterprises or businesses, but it is a device that could be used by the Washington State Lottery under IGRA. A person, or persons, including governments could conduct that particular game – which was the subject of negotiation. Mr. Fleisher noted that limited casino-type gaming was allowed on "Reno Nights" for the charities and nonprofits, which

was the basis of the original negotiations for the table games and other games in the casinos.

Michelle Hansen, Suquamish Tribal Attorney, wanted to note for the record that it is the Legislature of the state of Washington that decides whether citizens of Washington are allowed to offer, for instance, a lottery to the public. As of now, the Legislature has said that is reserved that for the state government -- they are the only entity that can offer that sort of gaming to the public for government purposes. All of those revenues must go back to the state for governmental services. As a result of the consensual lawsuit, Judge Van Sickle determined that the tribal government could have that same lottery system. That is why the lottery system exists in tribes today and it is not offered and not available to individual citizens of the state of Washington to offer to the public. She noted that distinction because the proposed machine has a random number generator and it has an EPROM. In other words, it starts to move towards machine gaming as opposed to human gaming. Ms. Hansen emphasized that it's the Legislature, and not the Commission, that should make the decision as to whether or not to move towards machine gaming instead of the traditional gaming. She expressed concern relating to the comments that human beings are subject to corruption and errors, and that's why this machine is better than human beings. She reminded the audience that surveillance cameras and other means are in place to ensure that the gaming integrity is maintained. She reiterated that the Legislature, and not this Commission, needs to make the policy decision as to whether to move to the machine gaming. She asked the Commission to remember that there are regulatory differences between the state of Nevada and Washington State. They allow slot machines and so their regulatory viewpoint is different than what the Commission should have here. Regarding the question about the cost of the regulation, and staff's response that it would only take .7 of an FTE and \$9,000 worth of equipment—she reminded the audience that the TGA's are onsite everyday and they're watching the machines in the tribal casinos. State gaming agents are not facilitating that kind of oversight in the enhanced card rooms now. Once the machines are in the enhanced card rooms, the Commission would not be watching them on a daily basis. The Commission may review tapes and do other things, however, she believed staff had greatly underestimated the cost to regulate this kind activity. **Chair Orr** called for other public testimony, and there was none.

Commissioner Forrest made a motion, seconded by **Commissioner Ludwig** to adopt the amendment to WAC 230-40-070. **Commissioner McLaughlin** said she would have preferred for the Commission to hold off for a month or more, but since that is not going to happen, she announced that she would vote no. **Mr. Fleisher** asked to clarify whether the motion to adopt the rule amendment specifically related to Alternative #1? Both **Commissioners Forrest** and **Ludwig** affirmed. **Commissioner Ludwig** said it was also his understanding that **Commissioner Forrest** intended to move adoption with with an effective date as recommended. **Commissioner Forrest** affirmed. **Ms. Patjens** noted there are actually two rules, WAC 230-40-010 and WAC 230-40-070. **Jerry Ackerman**, Assistant Attorney General, clarified that .010 references 070. *Vote taken; the motion passed with three ayes; Commissioner McLaughlin cast the nay vote.*

5. House-Banked Card Room Phase II Review:

WAC 230-40-803:

Cally Cass-Healy reported that language was added to WAC 230-40-803 to clarify the process for bringing a Phase II request before the Commission, or for declining to forward the request. Under Subsection 2, there was a change to allow the director to authorize a licensee to increase all tables to Phase II wagering limits pending approval at the next scheduled Commission meeting. Language was added so that an operator may receive approval for Phase II limits prior to operating six months; however, they could not begin operating at Phase II levels until they operated a minimum of six months. Initially, staff asked for this rule to be held over from last month; however, staff is putting the same version before the Commission, labeled as Alternative 2. Staff also asks that the rule be effective 31-days after filing. Staff intends to come forward next month with a rule to address circumstances in which a business discontinues operation of their card room and then reopens after a significant period of time. Staff thought this would be better clarified in a separate rule.

Commissioner McLaughlin made a motion seconded by **Commissioner Forrest** to adopt Alternative #2 of WAC 230-40-803 and that the rule be effective 31 days after filing. **Commissioner Forrest** verified the result of this would be that it would not have to be more than six months. **Ms. Cass-Healy** affirmed. *Vote taken; motion passed unanimously.*

RULES UP FOR DISCUSSION

6. Card Room Promotions:

WAC 230-40-897 and 230-40-455:

Cally Cass-Healy, Assistant Director, noted staff is asking that WAC 230-40-897 be repealed and replaced with WAC

230-40-455; however, it was placed on the agenda for discussion only this month. Staff will probably file a significantly different version next month—there have been many policy issues discussed and staff is planning to restructure the rule and will be asking the Commission to allow it to fail in favor of the new rule that they will be filing.

Director Bishop clarified the policy issues relate to the issue of gifts and credit and promotions involving additional gambling incentives. He explained that one of the very first rules the Commission passed stipulated that no gifts and no credit or loans would be allowed. Currently, there are six or seven exceptions to the rule and the card room people are asking for additional exceptions. Staff thought it would be an appropriate for the Commission to revisit the entire rule and will come forward with a proposal that looks at the whole area. **Commissioner Forrest** clarified staff didn't want to repeal anything today, but would set the whole issue over. **Ms. Cass-Healy** responded this was an agenda discussion item, so no action was required.

Commissioner Forrest asked staff to briefly summarize what is and what isn't allowed. If staff brings a rule before them, he would like to know what staff is thinking before the new rule is brought forward—what kinds of areas are going to be impacted. **Director Bishop** responded that staff wanted to clarify the confusion between a promotional contest of chance and actual promotions that involve the gaming itself. By definition, promotional contests of chance is not gambling, yet what we have, especially in the card rooms, is a tendency to want to mix the two issues. Anyone playing Blackjack has an opportunity to win a prize. There are "Lucky Seat" types of promotions which offer prizes and lotteries outside of card games. Bingo games and card rooms traditionally have been allowed to give insignificant types of gifts such as free coffee and free pop, and those things are actually exceptions now, and rightfully so. **Director Bishop** said that staff is interested in what the Commission's position is on enticements to gambling. Another issue that has been raised relates to the question of whether the nonprofits should be able to award as a prize in one gambling activity, a chance to enter into another gambling activity. Should they allow Bingo prizes to include Pull-tabs? Staff thought this would be a good time to talk about all these issues. **Director Bishop** noted that staff is being inundated with requests to do certain things without any clear guidance. **Mr. Fleisher** said staff would develop something next month starting with the thought that there's already a general prohibition in the WACs of giving credit or gifts of any kind. Over the years, exceptions have been added here and there. He suggested that it may be time to step back and try to bring a rule forward that would address these questions globally, and make it simpler for the licensees and the field agents to enforce.

Commissioner Forrest addressed the RGA audience and urged that if they had strong views on this matter, he would appreciate a letter written in advance. Although people come forward in the meeting in an attempt to educate the Commission on various issues, he thought that if the Commissioners had a chance to read the information before the meeting, it would be most helpful. If this issue could be explained in a written form, describing how they see these kinds of inducements, how significant they are, and how they fit into the operation of the system. **Senator Prentice** said she's walked into some establishments that have the SUV or the trip to somewhere exotic for people to win, and she's had some question whether this is already allowed. **Ms. Cass-Healy** responded that there are no limitations on the prize that can be given for a promotional contest of chance, but recently, licensees have been asking for a combination of the promotional contest of chance versus the promotion, which is what staff is concerned about.

Gary Murray, Wizards Restaurant, and member of the RGA, affirmed they would provide a letter to the Commission regarding their position if they do or do not differ from staff's point of view. He expressed the RGA's desire to come to a workable situation and he thanked staff for their diligent efforts in working with the RGA. **Commissioner Forrest** urged staff to point out any differences; for example, whether this is exclusively card rooms or to what extent it applies to nonprofits as well, plus or minus, and so forth, to help the Commission put the issue in perspective.

7. Petition for Rule Change by Richard Walker and Daniel Blagovich:

WAC 230-04-202:

Amy Patjens reminded the Commission that this is up for discussion only and final action is scheduled for next month. She reported that over the past couple of months there have been two different petitions, one from a company called Wild Bill's and another from a company called West Coast Casino Parties. These organizations offer services for either recreational gaming activities or limited fund raising events. These are literally the companies that are supplying the Blackjack tables and the people to deal the card games. They're asking that the agency's fee be reduced. Right now the fee is \$339 for the limited fundraising events. The petitioners would like to have the fees structured like Oregon's, where the fees range from nothing to \$50. Staff believes agency fees need to cover the work that is actually done – the

licensing of the activities as well the regulation by field agents. Last month, the Commissioners voted to file an alternative rule with two different fees, one for a limited fundraising event and the regular fundraising events. Ms. Patjens explained that neither of these activities is very popular. There have only been 10 applications for the regular traditional fundraising events in the last two years. So far there has been only one application for the new limited fundraising event activity.

Staff's proposal would decrease the initial fee and offers a further differentiation between whether the organization has already been licensed once versus coming back for a renewal. When an organization is applying for the first time, there are certain things that need to be evaluated that are very much apart from what the IRS looks at. An organization has to have 15 voting members in order to be able to conduct gambling and they also must be in existence for 12 months. Making the additional checks obviously takes more time the first time. The proposed fee for the limited fundraising events is being reduced from \$339 to \$150 for the first time application, and then \$100 for renewals. Staff also proposes decreasing the fees for the two classes of traditional fundraising event from \$339 to \$200 and the \$571 fee down to \$350. The different classes are based on how many hours the activity is going to be carried on. These fees still allow the agency to cover their licensing and regulatory costs and may also assist nonprofit organizations. Staff believes this is a good compromise and recommends further discussion. Both companies have been informed this would be on the agenda, but they are not present.

Commissioner McLaughlin asked if Wild Bill's must get the license or the people having the fundraiser. **Ms. Patjens** said the nonprofit organization is responsible. Commissioner McLaughlin clarified there's no money involved; they're having a grand opening; they've hired Wild Bill's to put on a Reno Night; she asked if they needed a license. **Mr. Fries** explained there are two issues. They can get a recreational gaming activity license for the sponsoring organization or they can contract with Wild Bills or Dan's West Coast to put the event on for them without any cost. **Commissioner Ludwig** noted one of those two petitioners testified in a previous hearing that they have in the past split that cost with the nonprofit organization. **Ms. Patjens** affirmed saying that is a choice available; however, it is not mandated.

8. Other Business/General Discussion/ Comments from the Public:

Chair Orr asked if there were any additional public comments. There were none.

Commissioner Ludwig reported that the Commissioners received a copy of an anonymous letter to the Director regarding Funster's grand opening located in SeaTac, questioning why they were opening at the \$100 betting level. Commissioner Ludwig asked if Funsters was formerly Charlie Mac's. **Mr. Fries** affirmed. **Director Bishop** explained that they've changed their infrastructure. They had an extensive remodel and changed their name, but they are operating under the same license approved by the Commission and the Phase II levels approved by the Commission. Commissioner Ludwig thought the Commission should note on the record that this is not a new license. Director Bishop affirmed and added that prior to this letter, the situation of a particular licensee closing for a substantial period of time and opening at a different scope is what prompted staff to bring forward a rule specifically addressing what happens when these types of interruptions in the business occur.

Senator Prentice noted that she's dealt with this Commission for a numbers of years and she can't think of any time where it would be a necessity for an anonymous letter. She emphasized that "anyone who believed there would be some kind of punishment for being a whistleblower obviously didn't understand this Commission – we aren't that kind of Commission." **Director Bishop** affirmed that if someone sends an anonymous letter, staff looks at the situation, and he affirmed there are methods for anyone who wanted to call in, to remain anonymous.

9. Adjournment

With no further business, **Chair Orr** adjourned the meeting at 11:55 a.m. and announced the next meeting would take place in Everett on August 9th and 10th.

Minutes submitted to the Commission for approval by:

Shirley Corbett
Executive Assistant

